

**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

**NEWS RELEASE**

FOR RELEASE April 2, 2015

Contact: Andy Nielsen  
515/281-5834

Auditor of State Mary Mosiman today released an audit report on the City of Lorimor, Iowa.

The City's receipts totaled \$548,373 for the year ended June 30, 2014. The receipts included \$54,626 in property tax, \$264,997 from charges for service, \$62,264 from operating grants, contributions and restricted interest, \$34,636 from local option sales tax, \$130,000 of note proceeds, \$506 from unrestricted interest on investments and \$1,344 from other general receipts.

Disbursements for the year ended June 30, 2014 totaled \$540,611, and included \$85,440 for public works, \$58,628 for general government and \$27,789 for public safety. Also, disbursements for business type activities totaled \$360,055.

A copy of the audit report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1422-0851-B00F.pdf>.

# # #



**CITY OF LORIMOR**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND OTHER INFORMATION**  
**SCHEDULE OF FINDINGS**

**JUNE 30, 2014**

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**City of Lorimor**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2014)</b>		
Jake Kilpatrick	Mayor	Jan 2014
Kevin Decker	Mayor Pro tem	Jan 2014
Steve Roseman	Council Member	Jan 2014
Cheryl Jorgenson	Council Member	Jan 2016
Dave McMillen	Council Member	Jan 2016
Sue Schmidt	Council Member	Jan 2016
Mary Seales	City Clerk/Treasurer	Indefinite
Todd Nielsen	Attorney	Indefinite
<b>(After January 2014)</b>		
Jake Kilpatrick	Mayor	Jan 2016
Kent Forbes	Mayor Pro tem	Jan 2018
Cheryl Jorgenson	Council Member	Jan 2016
Dave McMillen	Council Member	Jan 2016
Sue Schmidt	Council Member	Jan 2016
Randy Waeha	Council Member	Jan 2018
Mary Seales (Resigned)	City Clerk/Treasurer	June 30, 2014
Doris Loy (Appointed)	City Clerk/Treasurer	Indefinite
Todd Nielsen	Attorney	Indefinite

**City of Lorimor**



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Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

## Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Lorimor, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Basis for Qualified Opinions

As permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2013.

### Qualified Opinions

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2013, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Lorimor as of June 30, 2014, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

### Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

### Other Matters

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lorimor's basic financial statements. The supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements.


The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, the budgetary comparison information on pages 21 through 23, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 9, 2015 on our consideration of the City of Lorimor's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Lorimor's internal control over financial reporting and compliance.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

March 9, 2015

## **Basic Financial Statements**

City of Lorimor

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2014

	Disbursements	Program Receipts	
		Charges for Service	Operating Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>			
Governmental activities:			
Public safety	\$ 27,789	495	26,523
Public works	85,440	602	35,356
Culture and recreation	2,207	2,075	385
Community and economic development	835	-	-
General government	58,628	534	-
Debt service	5,657	-	-
Total governmental activities	180,556	3,706	62,264
Business type activities:			
Gas	146,479	165,363	-
Sewer	185,473	69,135	-
Garbage	28,103	26,793	-
Total business type activities	360,055	261,291	-
Total	\$ 540,611	264,997	62,264

**General Receipts and Transfers:**

Property and other city tax levied for:

    General purposes

    Debt service

Local option sales tax

Unrestricted interest on investments

Note proceeds

Miscellaneous

Transfers

Total general receipts and transfers

Change in cash basis net position

Cash basis net position beginning of year

Cash basis net position end of year

**Cash Basis Net Position**

Restricted:

    Expendable:

        Streets

        Debt service

        Capital improvements

Unrestricted

**Total cash basis net position**

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business Type Activities	Total
(771)	-	(771)
(49,482)	-	(49,482)
253	-	253
(835)	-	(835)
(58,094)	-	(58,094)
(5,657)	-	(5,657)
(114,586)	-	(114,586)
-	18,884	18,884
-	(116,338)	(116,338)
-	(1,310)	(1,310)
-	(98,764)	(98,764)
(114,586)	(98,764)	(213,350)
48,921	-	48,921
5,705	-	5,705
34,636	-	34,636
118	388	506
-	130,000	130,000
1,344	-	1,344
12,544	(12,544)	-
103,268	117,844	221,112
(11,318)	19,080	7,762
68,442	260,840	329,282
\$ 57,124	279,920	337,044
\$ 5,190	-	5,190
60	11,290	11,350
29,634	16,066	45,700
22,240	252,564	274,804
\$ 57,124	279,920	337,044

City of Lorimor

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Governmental Funds

As of and for the year ended June 30, 2014

		Special Revenue	
		Road Use Tax	Local Option Sales Tax
	General		
Receipts:			
Property tax	\$ 46,401	-	-
Other city tax	-	-	34,636
Licenses and permits	695	-	-
Use of money and property	2,193	-	-
Intergovernmental	29,683	31,356	-
Charges for service	658	-	-
Miscellaneous	2,576	-	-
Total receipts	82,206	31,356	34,636
Disbursements:			
Operating:			
Public safety	23,825	-	3,964
Public works	17,777	32,204	33,507
Culture and recreation	2,207	-	-
Community and economic development	835	-	-
General government	46,712	-	10,796
Debt service	-	-	-
Total disbursements	91,356	32,204	48,267
Deficiency of receipts under disbursements	(9,150)	(848)	(13,631)
Other financing sources:			
Transfers in	12,544	-	-
Change in cash balances	3,394	(848) -	(13,631)
Cash balances beginning of year	19,248	6,038	43,265
Cash balances end of year	\$ 22,642	5,190	29,634
<b>Cash Basis Fund Balances</b>			
Restricted for:			
Streets	\$ -	5,190	-
Debt service	-	-	-
Capital improvements	-	-	29,634
Assigned for:			
Fire and emergency medical	5,587	-	-
Parks	3,754	-	-
Community Center	4,087	-	-
Housing rehabilitation	4,740	-	-
Unassigned	4,474	-	-
Total cash basis fund balances	\$ 22,642	5,190 -	29,634

See notes to financial statements.

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Nonmajor	Total
8,225	54,626
-	34,636
-	695
-	2,193
-	61,039
-	658
271	2,847
8,496	156,694

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-	27,789
1,952	85,440
-	2,207
-	835
1,120	58,628
5,657	5,657
8,729	180,556

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(233)	(23,862)
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-	12,544
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(233)	(11,318)
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(109)	68,442
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(342)	57,124
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-	5,190
60	60
-	29,634

-	-
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-	3,754
---	-------

-	4,087
---	-------

-	4,740
---	-------

(402)	4,072
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(342)	\$ 51,537
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## City of Lorimor

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Governmental Funds

As of and for the year ended June 30, 2014

	Enterprise			
	Gas	Sewer	Non major Garbage	Total
Operating receipts:				
Charges for service	\$ 165,363	69,135	26,793	261,291
Operating disbursements:				
Business type activities	146,479	30,902	28,103	205,484
Excess of operating receipts over operating disbursements	18,884	38,233	(1,310)	55,807
Non-operating receipts (disbursements):				
Interest on investments	130	258	-	388
Note proceeds	-	130,000	-	130,000
Debt service	-	(154,571)	-	(154,571)
Net non-operating receipts (disbursements)	130	(24,313)	-	(24,183)
Excess of receipts over disbursements	19,014	13,920	(1,310)	31,624
Transfers out	(12,500)	-	(44)	(12,544)
Change in cash balances	6,514	13,920	(1,354)	19,080
Cash balances beginning of year	211,331	59,953	(10,444)	260,840
Cash balances end of year	\$ 217,845	73,873	(11,798)	279,920
<b>Cash Basis Fund Balances</b>				
Restricted for:				
Debt service	\$ -	11,290	-	11,290
Capital improvements	-	16,066	-	16,066
Unrestricted	217,845	46,517	(11,798)	252,564
Total cash basis fund balances	\$ 217,845	73,873	(11,798)	279,920

See notes to financial statements.

City of Lorimor

Notes to Financial Statements

June 30, 2014

**(1) Summary of Significant Accounting Policies**

The City of Lorimor is a political subdivision of the State of Iowa located in Union County. It was first incorporated in 1892 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides gas, sewer and garbage utilities for its citizens.

**A. Reporting Entity**

For financial reporting purposes, the City of Lorimor has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

**Jointly Governed Organizations**

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Union County Assessor's Conference Board, Union County Emergency Management Commission and Prairie Solid Waste Commission.

**B. Basis of Presentation**

**Government-wide Financial Statement** - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding category. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for local option sales tax receipts to be used for capital improvements and community betterment projects, including street improvements, buildings and sanitary sewer system improvements, including debt retirement.

The City reports the following major proprietary funds:

The Enterprise, Gas Fund accounts for the operation and maintenance of the City's gas system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net positions available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursement from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classification.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the public works and business type activities functions.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences

of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

### (3) Notes Payable

Annual debt service requirements to maturity for general obligation and sewer revenue notes are as follows:

Year Ending June 30,	General Obligation		Sewer		Total	
	Notes		Revenue Notes			
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 14,549	5,147	17,335	3,528	31,884	8,675
2016	14,927	4,479	17,903	2,961	32,830	7,440
2017	10,441	3,795	18,490	2,374	28,931	6,169
2018	7,443	3,353	19,096	1,768	26,539	5,121
2019	7,757	3,039	19,721	1,142	27,478	4,181
2020-2024	43,990	9,990	20,314	498	64,304	10,488
2025-2026	20,149	1,283	-	-	20,149	1,283
Total	\$ 119,256	31,086	112,859	12,271	232,115	43,357

The Code of Iowa requires principal and interest on general obligation notes be paid from the Debt Services Fund. However, \$14,438 of general obligation note principal was paid from the General Fund and the Special Revenue, Local Option Sales Tax Fund during the year ended June 30, 2014.

#### General Obligation Municipal Building Notes

On June 29, 2006, the City issued general obligation municipal building notes for \$83,000 and \$56,100 for the purpose of constructing a City Hall and Community Center. These notes bear interest at rates of 4.125% and 4.375% per annum, respectively. The notes require annual installments of \$6,387 and \$4,409, respectively, due each July 1, beginning on July 1, 2006. During the year ended June 30, 2014, the City paid \$6,307 of principal and \$4,489 of interest. At June 30, 2014, the outstanding principal balances were \$59,468 and \$40,438, respectively.

#### General Obligation Street Improvement Note

On September 26, 2007, the City issued a general obligation street improvement note for \$39,000 for the purpose of constructing street improvements. The note requires annual payments of \$4,875 with interest at 5.30% per annum. During the year ended June 30, 2014, the City paid \$4,875 of principal and \$781 of interest. At June 30, 2014, the outstanding principal balance was \$9,750.

#### General Obligation Fire Truck Note

On October 28, 2010, the City issued a general obligation fire truck note for \$22,000 for the purpose of purchasing a fire truck. The note requires semiannual payments with interest at 4.25% per annum. During the year ended June 30, 2014, the City paid \$3,100 of principal and \$543 of interest. At June 30, 2014, the outstanding principal balance was \$9,600.

#### Sewer Revenue Refunding Notes

On July 2, 2013, the City issued \$130,000 of sewer revenue refunding notes for the current refunding of \$127,186 of the sewer revenue notes issued November 14, 1980. The refunding was undertaken to reduce total debt service interest payments over the next eight years by \$2,815 and resulted in an economic gain of \$3,857.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$130,000 of sewer revenue refunding notes issued July 2, 2013 with interest at 3.25% per annum. The notes are payable solely from sewer customer net receipts and are payable through 2020. Annual principal and interest payments on these notes are expected to require less than 55% of net revenues. The total principal and interest remaining to be paid on the notes is \$125,130. For the year ended June 30, 2014, principal and interest paid and total customer net receipts were \$20,869 and \$38,233, respectively.

The resolution providing for the issuance of the sewer revenue refunding notes includes the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holder holds a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a sewer revenue note sinking account within the Enterprise Funds for the purpose of making the note principal and interest payments when due.
- (c) The City will establish rates sufficient to meet the operation and maintenance expenses of the sewer system and to produce and maintain net receipts at a level not less than the amount of principal and interest on the revenue notes falling due in the same year.

**(4) Lease Purchase Agreement**

On September 18, 2013, the City entered into a lease purchase agreement to lease a tractor. The following is a schedule of future minimum lease payments, including interest at 4.30% per annum, and the present value of the net minimum lease payments under the agreement in effect at June 30, 2014:

Year Ending June 30,	Amount
2015	\$ 10,801
2016	10,801
2017	10,801
2018	10,801
2019	1,800
	<u>45,004</u>
Less amount representing interest	<u>(3,868)</u>
Total	<u><u>\$ 41,136</u></u>

During the year ended June 30, 2014, the City made principal payments of \$7,554 and interest payments of \$1,446.

**(5) Pension and Retirement Benefits**

The City contributes to the Iowa Public Employees' Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 5.95% of their annual covered salary and the City is required to contribute 8.93% of covered salary. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2014 was \$6,047.

**(6) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer to	Transfer from	Amount
General	Enterprise:	
	Gas	\$ 12,500
	Garbage	<u>44</u>
Total		<u><u>\$ 12,544</u></u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

**(7) Deficit Balances**

The Special Revenue, Employee Benefits Fund had a deficit balance of \$402 at June 30, 2014. The Enterprise, Garbage Fund had a deficit balance of \$11,798 at June 30, 2014. The City is exploring alternatives to eliminate the deficit balances.

**(8) Risk Management**

The City is exposed to various risks of loss related to torts; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(9) Prospective Accounting Change**

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and other information.

**City of Lorimor**

### **Other Information**

City of Lorimor

Budgetary Comparison Schedule  
of Receipts, Disbursements, and Changes in Balances –  
Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2014

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property tax	\$ 54,626	-	54,626
Other city tax	34,636	-	34,636
Licenses and permits	695	-	695
Use of money and property	2,193	388	2,581
Intergovernmental	61,039	-	61,039
Charges for service	658	261,291	261,949
Miscellaneous	2,847	-	2,847
Total receipts	156,694	261,679	418,373
Disbursements:			
Public safety	27,789	-	27,789
Public works	85,440	-	85,440
Culture and recreation	2,207	-	2,207
Community and economic development	835	-	835
General government	58,628	-	58,628
Debt service	5,657	-	5,657
Business type activities	-	360,055	360,055
Total disbursements	180,556	360,055	540,611
Excess (deficiency) of receipts over (under) disbursements	(23,862)	(98,376)	(122,238)
Other financing sources, net	12,544	117,456	130,000
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(11,318)	19,080	7,762
Balances beginning of year	68,442	260,840	329,282
Balances end of year	\$ 57,124	\$ 279,920	\$ 337,044

See accompanying independent auditor's report.

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Budgeted Amounts		Final to
Original	Final	Total Variance
52,032	52,032	2,594
40,294	34,794	(158)
540	680	15
2,411	1,711	870
57,470	52,470	8,569
210,856	250,856	11,093
-	-	2,847
363,603	392,543	25,830
26,330	31,330	3,541
61,858	69,358	(16,082)
2,253	2,503	296
1,000	1,000	165
43,335	88,335	29,707
5,650	5,657	-
209,956	342,956	(17,099)
350,382	541,139	528
13,221	(148,596)	26,358
-	135,500	(5,500)
13,221	(13,096)	20,858
318,716	318,716	10,566
\$ 331,937	\$ 305,620	\$ 31,424

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City of Lorimor

Notes to Other Information – Budgetary Reporting

June 30, 2014

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Fund and the Debt Service Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$190,757. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the public works and business type activities functions.

**City of Lorimor**

## **Supplementary Information**

## City of Lorimor

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds

As of and for the year ended June 30, 2014

	<u>Special Revenue</u>		
	<u>Employee Benefits</u>	<u>Debt Service</u>	<u>Total</u>
Receipts:			
Property tax	\$ 2,520	5,705	8,225
Miscellaneous	271	-	271
Total receipts	<u>2,791</u>	<u>5,705</u>	<u>8,496</u>
Disbursements:			
Operating:			
Public works	1,952	-	1,952
General government	1,120	-	1,120
Debt service	-	5,657	5,657
Total disbursements	<u>3,072</u>	<u>5,657</u>	<u>8,729</u>
Change in cash balances	(281)	48	(233)
Cash balances beginning of year	<u>(121)</u>	<u>12</u>	<u>(109)</u>
Cash balances end of year	<u>\$ (402)</u>	<u>60</u>	<u>(342)</u>
<b>Cash Basis Fund Balances</b>			
Restricted for debt service	\$ -	60	60
Unassigned	<u>(402)</u>	<u>-</u>	<u>(402)</u>
Total cash basis fund balances	<u>\$ (402)</u>	<u>\$ 60</u>	<u>(342)</u>

See accompanying independent auditor's report.

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City of Lorimor  
Schedule of Indebtedness  
Year ended June 30, 2014

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Municipal building	Jun 29, 2006	4.125%	\$ 83,000
Municipal building	Jun 29, 2006	4.375	56,100
Street improvement	Sep 26, 2007	5.300	39,000
Fire truck	Oct 28, 2010	4.250	22,000
Total			
Revenue notes:			
Sewer	Nov 14, 1980	5.000%	\$ 393,000
Sewer refunding	Jul 2, 2013	3.250	130,000
Total			
Lease purchase agreement:			
Tractor	Sep 18, 2013	4.300%	\$ 48,690
See accompanying independent auditor's report.			

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
63,246	-	3,778	59,468	2,609
42,967		2,529	40,438	1,880
14,625	-	4,875	9,750	781
12,700	-	3,100	9,600	543
<b>\$ 133,538</b>	<b>-</b>	<b>14,282</b>	<b>119,256</b>	<b>5,813</b>
127,186	-	127,186	-	6,516
-	130,000	17,141	112,859	3,728
<b>\$ 127,186</b>	<b>130,000</b>	<b>144,327</b>	<b>112,859</b>	<b>10,244</b>
-	48,690	7,554	41,136	1,446

City of Lorimor

Note Maturities

Year ended June 30, 2014

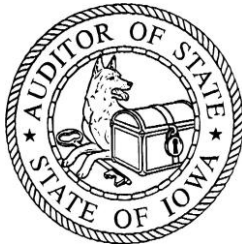
Year Ending June 30,	General Obligation Capital Loan Notes			
	Municipal Building		Municipal Building	
	Issued June 29, 2006		Issued June 29, 2006	
	Interest Rates	Amount	Interest Rates	Amount
2015	4.125%	\$ 3,934	4.375%	\$ 2,640
2016	4.125	4,096	4.375	2,756
2017	4.125	4,265	4.375	2,876
2018	4.125	4,441	4.375	3,002
2019	4.125	4,624	4.375	3,133
2020	4.125	4,815	4.375	3,270
2021	4.125	5,014	4.375	3,413
2022	4.125	5,221	4.375	3,562
2023	4.125	5,436	4.375	3,718
2024	4.125	5,660	4.375	3,881
2025	4.125	5,894	4.375	4,051
2026	4.125	6,068	4.375	4,136
Total		<u>\$ 59,468</u>		<u>\$ 40,438</u>

Year Ending June 30,	Revenue Notes	
	Sewer Refunding	
	Issued June 28, 2013	
	Interest Rates	Amount
2015	3.25%	\$ 17,335
2016	3.25	17,903
2017	3.25	18,490
2018	3.25	19,096
2019	3.25	19,721
2020	3.25	20,314
Total		<u>\$ 112,859</u>

See accompanying independent auditor's report.

Street Improvement			Fire Truck			
Issued Sept 26, 2007			Issued Oct 28, 2010			
Interest Rates		Amount	Interest Rates		Total	
5.30%	\$	4,875	4.25%	\$	3,100	14,549
5.30		4,875	4.25		3,200	14,927
		-	4.25		3,300	10,441
		-			-	7,443
		-			-	7,757
		-			-	8,085
		-			-	8,427
		-			-	8,783
		-			-	9,154
		-			-	9,541
		-			-	9,945
		-			-	10,204
	\$	9,750		\$	9,600	119,256

**City of Lorimor**



**OFFICE OF AUDITOR OF STATE  
STATE OF IOWA**

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Honorable Mayor and  
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Lorimor, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 9, 2015. Our report expressed qualified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles, since we were unable to satisfy ourselves as to the distribution by fund of the total fund balances at July 1, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Lorimor's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Lorimor's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Lorimor's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Lorimor's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying Schedule of Findings as items (A) through (F) to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items (G) through (M) to be significant deficiencies.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Lorimor's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.


### The City of Lorimor's Responses to the Findings


The City of Lorimor's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City of Lorimor's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Lorimor during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

March 9, 2015

City of Lorimor

Schedule of Findings

Year ended June 30, 2014

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:
- (1) Cash – handling, reconciling and recording.
  - (2) Investing – recordkeeping, investing, custody of investments and reconciling earnings.
  - (3) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
  - (4) Debt – recordkeeping, compliance and debt payment processing.
  - (5) Disbursements – purchasing, invoice processing, check writing and signing, mailing, reconciling and recording.
  - (6) Payroll – entering rates into the system, recordkeeping, preparing and distributing.
  - (7) Utilities – billing, collecting, depositing, posting and maintaining detailed accounts receivable records.
  - (8) Computer systems – performing all general accounting functions, controlling all data input and output and having custody of assets.
  - (9) Financial reporting – preparing and reconciling.

In addition, an initial listing of mail receipts is not prepared by the mail opener.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews should be documented by the signature or initials of the reviewer and the date of the review. Additionally, a listing of receipts received in the mail should be prepared, at least on a test basis. The listing should be compared to the receipt records by an independent person.

Response – We will review our procedures and perform independent reviews where possible. We will try to segregate duties as much as possible with our limited staff.

Conclusion – Response accepted.

City of Lorimor

Schedule of Findings

Year ended June 30, 2014

- (B) Bank Reconciliations – Although monthly bank reconciliations were prepared, the reconciliations included only the checking accounts and did not include investments or the utility transfer fund which are necessary to reconcile with the monthly financial reports. Also, bank reconciliations were not reviewed by an independent person.

Recommendation – To provide better control over financial transactions and overall accountability, monthly bank reconciliations should be prepared to include all checking accounts, investments and reconciling items. The reconciliations should agree with the fund and account balances on the City Clerk/Treasurer's monthly financial report. Bank reconciliations should be reviewed by an independent person and the reviews should be documented by the signature or initials of the reviewer and the date of the review.

Response – The utility transfer fund has been closed. Bank reconciliations will include all accounts including investments. We will have a Council Member review the bank reconciliations and document their review by initialing and dating when their review is performed.

Conclusion – Response accepted.

- (C) Annual Financial Report – The ending fund balances for the governmental activities did not agree to the ending cash balances reported in the June 30, 2014 Annual Financial Report (AFR) by \$4,399. Additionally, the indebtedness reported on the AFR at June 30, 2014 does not agree to the City's records. Also, Part IV of the AFR, Debt Outstanding, Issued and Retired, does not accurately reflect activity of the current fiscal year.

Recommendation – The errors in the Annual Financial Report should be corrected and the report should be re-filed. Outstanding indebtedness should be properly reflected and activity should be reported in the proper area on the Annual Financial Report.

Response – Debt will be corrected and the Annual Financial Report refiled. Differences in the governmental activities ending cash balances will be investigated and corrected.

Conclusion – Response accepted.

- (D) Reconciliation of Utility Billings, Collections and Delinquent Accounts – Utility billings, collections and delinquent accounts were not reconciled throughout the year. In addition, the City does not have a written policy pertaining to write-offs of delinquent utility accounts or in assessing late fees. Also, adjustments to accounts were not approved or supported. Pre-numbered receipts are not issued for all utility collections not accompanied by a prenumbered utility stub.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period. The City Council or other independent person designated by the City Council should review the reconciliation and monitor delinquent accounts. The review of the reconciliations should be documented by the signature or initials of the reviewer and the date of the review. The City should establish a formal written policy for writing off delinquent accounts and charging late fees. Additionally, all write-offs should be supported and approved by the City Council. For payments received without a prenumbered utility stub, pre-numbered receipts should be issued.

City of Lorimor

Schedule of Findings

Year ended June 30, 2014

Response – The City has a new utility billing software program which will assist in preparing a monthly reconciliation of accounts. The City Council is working on developing policies in regard to late fees and write-offs. Pre-numbered receipts will be issued for all collections.

Conclusion – Response accepted.

- (E) Chart of Accounts and Accounting System - The City has not fully implemented the Uniform Chart of Accounts (COA) for Iowa City Governments recommended by the City Finance Committee on September 25, 2002 and does not maintain its accounting system in a format to facilitate fund accounting required for governmental accounting and financial reporting.

Recommendation - To provide better financial information and control, the COA, or its equivalent, should be followed.

Response – The City has purchased a new finance software program which uses the correct chart of accounts.

Conclusion – Response accepted.

- (F) Payroll - Timesheets were not always approved and initialed by the employee's supervisor or other responsible official.

Recommendation - All timesheets should be approved and initialed by the employee's supervisor or by an independent official who is not involved with payroll.

Response – Timesheets will be approved by the Mayor or a Council Member.

Conclusion – Response accepted.

- (G) Fuel Purchases – The Public Works Superintendent uses his personal vehicle at certain times during the year for City business. When this occurs, he uses the City's fuel tank to refuel his vehicle with no documentation of the travel recorded.

Recommendation – The City Council should develop and implement a policy regarding the use of personal vehicle for City business. In addition, if the use of personal vehicles continues, the City Council should implement mileage logs to ensure all work travel is easily identifiable.

Response – The employee has been instructed not to fill up his truck from the City's tanks. He has also been informed to utilize the City's vehicle when he is at work. A vehicle usage policy will be worked on by the City Council.

Conclusion – Response accepted

- (H) Disbursements - Certain invoices were not properly marked paid to prevent possible duplicate payment of invoices. Additionally, a City employee was allowed to use the City's charge account for personal purchases. While these purchases were reimbursed to the City, the employee did not pay for sales tax on his personal purchases in violation of Iowa law.

City of Lorimor

Schedule of Findings

Year ended June 30, 2014

Recommendation – All paid invoices should be marked or stamped paid with the date of payment to aid in preventing possible duplicate payment of invoices. The City should adopt a policy to restrict the City's charge accounts to only City activity and the use of the City's charge accounts for personal charges should be prohibited.

Response – We will mark all invoices paid to prevent duplicate payment. The City employee has been informed not to use the City's charge account for personal purchases.

Conclusion – Response accepted.

- (I) Credit Cards - The City has credit cards which have not been approved by the City Council. Additionally, for those credit cards which have been approved, supporting documentation was not always available to support credit card charges. Also, late fees and finance charges were incurred on certain credit card bills.

Recommendation - The City should ensure all credit cards used by the City are approved by the City Council. Supporting documentation should be required to substantiate charges. Additionally, credit card bills should be paid timely to avoid late fees and finance charges.

Response – Some credit cards have been closed but all credit cards which are active will be approved for use by the City Council. Supporting documentation for credit card purchases will be invoices and not the credit card authorization form. Credit card payments will be made timely to avoid late fees and finance charges.

Conclusion – Response accepted.

- (J) Compensated Absences - A detailed record of vacation and sick leave earned and used by each employee is not maintained.

Recommendation - A detailed record of employee compensated absences should be maintained to account for the proper accumulation and use of this time.

Response – The new computer systems being utilized by the City keeps track of vacation and sick leave earned and used for each employee.

Conclusion – Response accepted.

- (K) Transfers – Supporting documentation was not maintained for interfund transfers. Additionally, transfers are not approved by the City council.

Recommendation – Supporting documentation should be maintained which substantiates all interfund transfers. Additionally, all interfund transfers should be approved in the minutes by the City Council.

Response – Transfers will be properly supported and approved by the City Council.

Conclusion – Response accepted.

City of Lorimor

Schedule of Findings

Year ended June 30, 2014

- (L) Accounting Policies and Procedures Manual - The City does not have a written accounting policies and procedures manual.

Recommendation – Accounting policies and procedures manuals should be developed to provide the following benefits:

- (1) Aid in training additional or replacement staff.
- (2) Help achieve uniformity in accounting and in the application of policies and procedures.
- (3) Save supervisory time by recording decisions so they will not have to be made each time the same, or a similar, situation arises.
- (4) Ensure City accounts are appropriately utilized.

Response – We will work on preparing accounting procedures manuals.

Conclusion – Response accepted.

- (M) Computer System – The City does not have written policies over general computer usage and security and does not have a written disaster recovery plan.

Recommendation – The City should develop a computer usage and security policy in order to improve the City's control over its computer system and should develop a written disaster recovery plan.

Response – The City Council will work on developing these plans and policies.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Lorimor  
Schedule of Findings  
Year ended June 30, 2014

**Other Findings Related to Required Statutory Reporting:**

- (1) Certified Budget - Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the public works and business type activities functions. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Also, we were unable to obtain a copy of the proof of publication of the original budget and amendment.

Recommendation - The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget. Proofs of publication should be obtained and retained to demonstrate compliance with Chapter 384.16(3) of the Code of Iowa.

Response - Proof of publications from our official newspaper will be retained in the future. The budget will be monitored and amendments, if necessary, will be approved timely.

Conclusion - Response accepted.

- (2) Questionable Disbursements - During the year, \$105 was disbursed for chiropractor fees for an employee injury. The City did not document any incidents of the injury occurring while at work. This disbursement may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented.

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation - The City Council should determine and document the public purpose served by this disbursement before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirement for proper documentation.

Response - The employee has been instructed to submit an injury report prior to seeking treatment which will be reviewed and approved by the Mayor and City Council.

Conclusion - Response accepted.

- (3) Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions - No business transactions between the City and City officials or employees were noted.
- (5) Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

City of Lorimor

Schedule of Findings

Year ended June 30, 2014

- (6) City Council Minutes – Except as noted in (K) above, no transactions were found that we believe should have been approved in the City Council minutes but were not.

However, certain minutes of City Council meetings were not signed in accordance with Chapter 380.7 of the Code of Iowa. In addition, although minutes of City Council proceedings were published, they were not published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation - The minutes should be signed as required and published in compliance with Chapter 362.3(1) of the Code of Iowa.

Response – We will have the Mayor and City Clerk sign all minutes. We have designated an official newspaper of general circulation which is a weekly publication.

Conclusion – Response accepted.

- (7) Deposits and Investments - No instances of noncompliance with the deposit and investments provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- (8) Revenue Notes – No instances of non-compliance with the revenue note resolutions were noted.
- (9) Payment of General Obligation Notes – Principal and interest on certain general obligation notes were paid from the General Fund and the Special Revenue, Local Option Sales Tax Fund. Chapter 384.4 of the Code of Iowa states, in part, “Money pledged or available to service general obligation notes, and received from sources other than property tax must be deposited in the debt service fund.”

Recommendation – The City should transfer from the General Fund and the Special Revenue, Local Option Sales Tax Fund to the Debt Service Fund for future debt funding contributions. Payment of the note principal and interest should then be disbursed from the Debt Service Fund.

Response – In the future, we will make transfers as recommended to ensure payments of general obligation note principal and interest are made from the Debt Service Fund.

Conclusion – Response accepted.

City of Lorimor

Schedule of Findings

Year ended June 30, 2014

- (10) Lease Purchase Agreement – During the year, the City entered into a lease purchase agreement for \$48,690. However, the City did not comply with the provisions of Chapter 364.4(4)(e) of the Code of Iowa before entering into the lease purchase agreement.

Recommendation – The City should comply with the public hearing requirements prior to entering into lease purchase agreements.

Response – In the future, if the City considers a lease purchase agreement for equipment, the proper procedures for issuing debt will be followed.

Conclusion – Response accepted.

- (11) Financial Condition – The Special Revenue, Employee Benefits Fund and the Enterprise, Garbage Fund had deficit balances at June 30, 2014 of \$402 and \$11,798, respectively.

Recommendation – The City should continue to investigate alternatives to eliminate these deficits to return these funds to a sound financial condition.

Response – The Employee Benefits Fund will be corrected with tax collections in fiscal year 2015. The City Council is exploring ways to eliminate the deficit in the Garbage Fund.

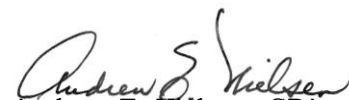
Conclusion – Response accepted.

City of Lorimor

Staff

This audit was performed by:

Timothy D. Houlette, CPA, Manager  
Katherine L. Rupp, CPA, Senior Auditor II  
Megan E. Irvin, Staff Auditor



Andrew E. Nielsen, CPA  
Deputy Auditor of State